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C O N F I D E N T I A L BOGOTA 005488

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TAGS: PTER PGOV PREL ECON SOCI CO

SUBJECT: HOW COLOMBIA'S ILLEGAL ARMED GROUPS FINANCED THEMSELVES THROUGH EXTORTION

REF: A. BOGOTA 4798
¶B. BOGOTA 2995

Classified By: Political Counselor John S. Creamer.

Reason: 1.4 (b,d)

¶1. (C) The FARC, ELN and former AUC partially financed their criminal activities through "vacunas," extortion payments levied on businesses and households. Some large companies paid millions of dollars for "protection," while individual households might pay USD two to five per month. Armed groups called vacunas "taxes," and used them to assert their authority. In areas where the GOC lacked a state presence, ex-paras sometimes provided limited services in return for "vacuna" payments to build community acceptance.
End Summary

"Vaccination" Statistics

¶2. (C) Prior to demobilization, Colombia's paramilitaries partially financed operations through "vacunas" (literally "vaccinations"), extortion payments levied on businesses and individual households. United Self-Defense Forces of Colombia (AUC) founder Carlos Castano publicly admitted that while 70 percent of all paramilitary funds came from narcotrafficking, the rest came from vacunas and plundering local government funds (ref A). German Enciso, head of a national anti-extortion task force in the office of the Attorney General (Fiscalia), estimates that vacunas represented 15-20 percent of all ex-para revenues, about half from companies and half from individuals.

¶3. (C) Vacunas are also a source of revenue for the Revolutionary Armed Forces of Colombia (FARC) and the National Liberation Army (ELN). Since 1998, the GOC registered 1,396 cases of extortion by the FARC, 872 by the AUC, and 319 by the ELN. The number of cases peaked for all three groups in 2002. Though AUC and ELN cases have declined steadily since then, the number of FARC extortions has stayed high at 150-200 a year. Enciso said the cases represent a fraction of the actual number of extortions, since businesses are reluctant to admit having made payments due to fear of prosecution.

Big Companies as Targets

¶4. (U) Large companies paid large vacunas to the AUC --

often allegedly for "protection." A typical and widely publicized case was the acknowledgment by Chiquita Brands International that it paid a total of USD 1.7 million to the AUC between 1997 and 2004 for "protection" of its workers (an act for which it was fined USD 25 million in the U.S.) Mancuso said the payments were based on a 1997 agreement by Chiquita to pay one percent of the value of products shipped from Colombia. Colombian officials have called for the extradition of Chiquita officials to Colombia for prosecution.

¶ 5. (C) The ELN and FARC also charge companies for "protection." Enciso said in Norte de Santander, large companies typically paid the ELN at least USD 5,000 per month for "security." FARC shakedowns have been more blatant. Felipe Silva, the head of Nestle Colombia, said the FARC demanded USD 400,000 per year in 2006 from the company to leave its milk collection and processing in the Caqueta department alone. When Nestle refused, the FARC bombed Nestle plants and harassed milk trucks, cutting Nestle's production by half (ref B).

¶ 6. (C) Gustavo Duncan, a security analyst, said companies frequently disguised vacunas as payments for services. Typically, consumer products (beer, snacks) companies would contract for distribution with a para-associated firm: the contracts were inflated with large surcharges that went to the illegal group. Mancuso testified that Bavaria Beer Company paid AUC leader Rodrigo Tovar Pupo ("Jorge 40") 50 cents for every case of beer it distributed in areas controlled by Macaco, and claimed soft drink company Postobon paid a monthly fee of USD 5,000. Both companies deny the allegations. Mancuso said individual distributors

and truckers near the Atlantic coast were also charged a fee for every delivery.

Filling Empty Spaces

¶ 7. (C) Juan Carlos Garzon, an analyst for the Organization of American States Mission (MAPP/OAS), said that prior to the para demobilization in 2004, many poor households made payments of USD two to five per month in para-controlled areas. Large ranch owners paid as much as USD 300 a month. Garzon said the money was used to help sustain para groups at the local level. Garzon said the AUC would generally fulfill their bargain to provide protection, but there are cases where residents who paid vacunas were displaced by the AUC. Residents in FARC dominated areas described a similar situation to us. They said the FARC would levy charges of ten percent of all profits on small businesses and charge residents a small "tax." Residents said they got little in return.

¶ 8. (C) Illegal armed groups referred to small "vacunas" levied on large swathes of the population as "taxes." Duncan said an important purpose of such "taxes" was to create the perception in the public's mind that the AUC and the FARC were the effective "state" in areas where GOC presence was weak or nonexistent. By paying the AUC or FARC, the public acknowledged these groups were more powerful than the state. Andres Penate, Director of the Department of Administrative Security (DAS), described how his cattle-farming relatives stopped paying a vacuna and started paying taxes to the GOC once the government was able to provide security in their area, telling the paras they were "paying the vacuna to the bigger guy."

¶ 9. (C) Duncan said the AUC and the FARC provided some services in an attempt to gain public acceptance and to make it easier for them to engage in illegal activities. He noted that most local para commanders owned bulldozers that they used to make crude roads for which a toll was usually charged. Both the AUC and the FARC generally administered some type of rough justice in areas they controlled. Duncan said the AUC even had members trained as informal judges to

resolve minor disputes. Justice was not impartial: issues were often decided based on who was closer to the AUC.
Drucker